

## § 232.1

- 232.902 Eligible project.
- 232.903 Maximum mortgage limitations.
- 232.904 Terms of the mortgage.
- 232.905 Labor standards and prevailing wage requirements.
- 232.906 Processing of applications and required fees.

### Subpart F—Eligible Operators and Facilities and Restrictions on Fund Distributions

- 232.1001 Scope.
- 232.1003 Eligible operator.
- 232.1005 Treatment of project operating accounts.
- 232.1007 Operating expenses.
- 232.1009 Financial reports.
- 232.1011 Management agents.
- 232.1013 Restrictions on deposit, withdrawal, and distribution of funds, and repayment of advances.
- 232.1015 Prompt notification to HUD and mortgagee of circumstances placing the value of the security at risk.

AUTHORITY: 12 U.S.C. 1715b, 1715w, 1735d, and 1735f–19; 42 U.S.C. 3535(d).

SOURCE: 36 FR 24618, Dec. 22, 1971, unless otherwise noted.

### Subpart A—Eligibility Requirements

SOURCE: 61 FR 14406, Apr. 1, 1996, unless otherwise noted.

#### § 232.1 Eligibility requirements, generally; applicability of certain requirements.

(a) *Eligibility, generally.* All of the requirements set forth in 24 CFR part 200, subpart A, except for the requirements for “eligible mortgagor” in 24 CFR 200.5, apply to mortgages insured under section 232 of the National Housing Act (12 U.S.C. 1715w), as amended.

(b) *Applicability of certain requirements.* As of October 9, 2012 the provisions in 24 CFR 207.255(b)(5), 207.258, 232.3, 232.11, 232.254, 232.903(c) and (d), and subpart F of part 232, excluding §§ 232.1007, 232.1009, and 232.1015 of subpart F are applicable only to transactions for which a firm commitment has been issued under this part on or after July 12, 2013.

[77 FR 55136, Sept. 7, 2012, as amended at 78 FR 25185, Apr. 30, 2013]

#### § 232.2 License.

The Commissioner shall not insure any mortgage under this part unless

## 24 CFR Ch. II (4–1–16 Edition)

the facility is regulated by the State, municipality or other political subdivision in which the facility is or is to be located, and the appropriate agency for such jurisdiction provides a license, certificate or other assurances the Commissioner considers necessary, that the facility complies with any applicable State or local standards and requirements for such facility.

#### § 232.3 Eligible borrower.

The borrower shall be a single asset entity acceptable to the Commissioner, as may be limited by the applicable section of the Act, and shall possess the powers necessary and incidental to owning the project, except that the Commissioner may approve a non-single asset borrower entity under such circumstances, terms, and conditions determined and specified as acceptable to the Commissioner.

[77 FR 55136, Sept. 7, 2012]

#### § 232.7 Bathroom.

Not less than one full bathroom must be provided for every four residents of a board and care home or assisted living facility, and bathroom access from any bedroom or sleeping area must not pass through a public corridor or area.

[61 FR 14406, Apr. 1, 1996. Redesignated at 77 FR 55136, Sept. 7, 2012]

#### § 232.11 Establishment and maintenance of long-term debt service reserve account.

(a) To be eligible for insurance under this part, and except with respect to Supplemental Loans to Finance Purchase and Installation of Fire Safety Equipment (subpart C of this part), if HUD determines the mortgage presents an atypical long-term risk, HUD may require that the borrower establish, at final closing and maintain throughout the term of the mortgage, a long-term debt service reserve account.

(b) The long-term debt service reserve account, if required, may be financed as part of the initial mortgage amount, provided that the maximum mortgage amount as otherwise calculated is not thereby exceeded.

(c) The amount required to be initially placed in the long-term debt

service reserve account and the minimum long-term balance to be maintained in that account will be determined during underwriting and separately identified in the firm commitment. Although HUD may, when appropriate to avert a mortgage insurance claim, permit the balance to fall below the required minimum long-term balance, the borrower may not take any distribution of mortgaged property except when both the long-term debt service reserve account is funded at the minimal long-term level and such distribution is otherwise permissible.

[77 FR 55136, Sept. 7, 2012]

### **Subpart B—Contract Rights and Obligations**

#### **§ 232.251 Cross-reference.**

(a) All of the provisions, except § 207.258b, of part 207, subpart B of this chapter relating to mortgages insured under section 207 of the National Housing Act, apply to mortgages insured under section 232 of the Act.

(b) For the purposes of this subpart all references in part 207 of this chapter to section 207 of the Act shall be construed to refer to section 232 of the Act.

[36 FR 24618, Dec. 22, 1971, as amended at 50 FR 38787, Sept. 25, 1985]

#### **§ 232.252 Definitions.**

All of the definitions contained in § 232.1 shall apply to this subpart. In addition, as used in this part, the following term shall have the meaning indicated:

(a) *Contract of insurance* means the agreement evidenced by the Commissioner's insurance endorsement and includes the provisions of this subpart and of the Act.

#### **§ 232.254 Withdrawal of project funds, including for repayments of advances from the borrower, operator, or management agent.**

Borrower may make and take distributions of mortgaged property, as set forth in the mortgage loan transactional documents, to the extent and as permitted by the law of the applicable jurisdiction, provided that, upon each calculation of borrower surplus

cash (as defined by HUD), which calculation shall be made no less frequently than semi-annually, borrower must demonstrate positive surplus cash, or to the extent surplus cash is negative, repay any distributions taken during such calculation period within 30 calendar days unless a longer time period is approved by HUD. Borrower shall be deemed to have taken distributions to the extent that surplus cash is negative unless, in conjunction with the calculation of surplus cash, borrower provides to HUD documentation evidencing, to HUD's reasonable satisfaction, a lesser amount of total distributions. To the extent that the provisions of this section are inconsistent with the provisions in a borrower's existing transactional loan documents, including without limitation any HUD-required regulatory agreement, the provisions of the transactional loan documents shall apply.

[77 FR 55136, Sept. 7, 2012]

#### **§ 232.256 Partial payment of claims.**

(a) When a lender for a loan on a healthcare project becomes eligible to file an insurance claim and to assign the mortgage to the Commissioner pursuant to § 207.258, the Commissioner may request the lender, in lieu of assignment, to accept a partial payment of the claim under the mortgage insurance contract and recast the mortgage, under such terms and conditions as the Commissioner may determine.

(b) The Commissioner may request the lender to participate in a partial payment of claim in lieu of assignment only after a determination that partial payment would be less costly to the Federal Government than other reasonable alternatives for maintaining the project and that would keep the healthcare facility operational to serve community needs. In addition to any findings that may be provided in other guidance, the Commissioner shall base the determination on the findings listed below:

(1) The lender is entitled, after a default as defined in § 207.255, to assign the mortgage in exchange for the payment of insurance benefits;

(2) The relief resulting from partial payment, when considered with other resources available to the project,